



Report to the Auburn City Council

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| Action Item |
| Agenda Item No. 19 |

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| City Manager's Approval |
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To: Honorable Mayor and City Council Members
From: Robert Richardson, City Manager
Andy Heath, Administrative Services Director
Date: June 11, 2012
Subject: Operating, Debt Service and Capital Project Budgets for
Fiscal Year 2012-13

The Issue

Shall the City Council authorize the revenue estimates and expenditure appropriations recommended by the City Manager for the operations of all City Funds for fiscal year 2012-13?

Action Requested

Review and consider recommended appropriations for the City's General, Enterprise, Special Revenue, Capital Projects and Debt Service Funds for fiscal year 2012-13.

- 1) By RESOLUTION, adopt revenue estimates and expenditure appropriations for all City Funds for fiscal year 2012-13 as summarized in the fund schedules presented with the Fiscal Year 2012-13 Proposed Budget.
- 2) By RESOLUTION, establish a General Fund "cash reserve" in the amount of \$2,839,065 as summarized in the General Fund schedule presented with the Fiscal Year 2012-13 Proposed Budget.

Background

As provided by Section 31.026(H) of Title 3 of the Auburn Municipal Code, the City Manager has compiled budget recommendations for City programs and projects for fiscal year 2012-13. As a means to develop the proposed budget, both the City Manager and the Administrative Services Director worked with department heads and management staff to review funding requests consistent with goals and objectives outlined by the City Council and maintaining efficient and effective service delivery to the community. Funding priorities were determined based on Council directives and goals, revenue generation, cost efficiency, cost recovery, project delivery and improved public service and efficiency.

Analysis

The proposed budget outlines citywide revenue sources of \$18.55 million and Citywide expenditures of \$20.24 million. Taken as a whole, the proposed budget for fiscal year 2012-13 (FY 1213) includes \$6.71 million allocated to capital improvement and outlay activities – roughly 33% of all expenditures budgeted. Recommended capital expenditures include Airfield and Apron Lighting at the Auburn Airport, an Oxidation Ditch at the Wastewater Treatment Facility, and the Palm Avenue Sidewalk and Bicycle Lane Project. The FY 1213 spending plan also recommends an appropriation of approximately \$1.09 million towards the City's Street Overlay Program (includes \$421,500 carried over from FY 1112).

It is important to recognize that the budget presented herein represents staff's recommendation of a spending plan consistent with estimated funding availability. Any carry-overs of unexpended capital improvements appropriated in FY 1112 will be reconciled into the budget for FY 1213 at midyear. Also, to the extent the State adopts a budget that adversely impacts local government revenue sources, staff will recommend additional budget balancing alternatives.

A discussion on key City funds follows below:

General Fund

The proposed budget recommends General Fund revenues of approximately \$8.60 million and expenditures of approximately \$8.47 million. The proposed budget for the General Fund, without considering any potential impacts of the State's budget, once adopted, does not anticipate the use of unobligated fund balance (reserves) during the fiscal year.

General Fund revenues for FY 1213 are expected to be approximately 4.6% higher than those estimated to be received in FY 1112. This increase in revenues can be wholly attributed to an anticipated increase in sales tax collections due to higher fuel prices, the addition of McCaulou's department store, and the expected expansion of the sales tax base related to the sales of fuel. A variety of factors, including the stagnation of the national and state economies, the ongoing housing crisis, and the "credit crunch" continue to impact growth rates in the City's collections of non-fuel related sales taxes, property taxes and development-related revenues. Collections of property taxes are anticipated to remain relatively flat with those collected in FY 1112, while Solid Waste Franchise Fees will be lower due to the sunset of a three-year period whereby a portion of the overall fee was reallocated from the Solid Waste Fund to the General Fund.

Taken as a whole, the General Fund spending plan for FY 1213 has increased by approximately 3.7% when compared to amounts anticipated to be expended in FY 1112, and approximately 4.0% when compared to FY 1011. Increases to General Fund appropriations include anticipated increases for employee-related costs and allocations of funds for deferred maintenance and other capital activities, including public safety facilities maintenance and duct cleaning, a bird remediation project, and ADA transition

plan, and the leasing of a dump truck. The City also anticipates replacing the aged telephone and business license systems currently in use during FY 1213.

City staff continues to work tirelessly to mitigate the impacts of the economic downturn on the City's General Fund and the need to use reserves. Staff continues to, however, monitor the progress of the State's budget development and the potential additional impacts that could be passed on to local governments once a State budget is adopted. State budget-balancing proposals currently considered include alternatives that could have a significant impact on the City's General Fund revenue base, including:

- Elimination of the COPS grants to local governments (\$100,000)
- Elimination of booking fee subvention to counties (\$67,130)
- The pushing-down of programs typically administered by the State to counties and/or cities
- Deferral of subvention payments to cities to increase State's cash flow

The proposed budget outlined herein does not include any reductions to revenues resulting from the ultimate adoption of the State budget. To the extent General Fund revenues are adversely impacted by the State budget, staff will address anticipated shortfalls with additional budget reduction recommendations.

Finally, the proposed budget outlines recommended General Fund designated reserve levels consistent with a reserve policy adopted by the City Council in October 2003. Designated reserves are recommended as follows:

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| - Reserve for Economic Uncertainties | \$2,250,000 |
| - Reserve for Prepaid Self-Insurance Equity | 436,191 |
| - Unobligated Fund Balance (1) | <u>152,874</u> |

Total General Fund Designated Reserves: \$2,839,065

(1) Unobligated Fund Balance will be readjusted after the close of the 2011-12 fiscal year consistent with actual fund balance usage/savings. Payments for compensated absence accruals due to terminated employees are made from Unobligated Fund Balance (the current outstanding liability is approximately \$900,000).

Maintenance of adequate reserves demonstrates fiscal prudence to the extent the City is confronted with swings in business cycle uncertainty, natural disasters, and payments of long-term liabilities.

Airport Fund

It is anticipated that the Airport Fund will collect approximately \$860,000 in revenue during FY 12-13. Anticipated funding sources include recurring revenues and receipt of \$255,590 in Airport Improvement Plan Entitlement Funds to offset funds used for the Airport Airfield Lighting, Marking and Fencing projects. Expenditures of approximately \$765,000 include operations costs and \$384,000 in capital improvements related to the

aforementioned AIP projects, security camera and washrack upgrades, and the East End Hangar Project. The Airport is expected to have a fund balance of approximately \$569,000 at the end of FY 12-13.

Sewer Fund

It is anticipated that the Sewer Fund will collect approximately \$5.11 million in Sewer-related revenues during FY 12-13. Consistent with direction from the City Council, Sewer Use Fees will be increased to \$60.50 per EDU per month during FY 12-13. Major capital expenditures anticipated during FY 12-13 include \$600,000 towards the Electric Street Sewer, \$900,000 towards the Auburn Oaks Lift Station upgrade project, \$600,000 towards the Oxidation Ditch project, \$125,000 towards the replacement of the televising van, and \$300,000 towards the Pond 1B Lift Station.

The Sewer Fund is expected to have the following reserves at the end of FY 12-13:

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| - Reserve for WWTP UV Disinfection | \$1,995,000 |
| - Reserve for Regionalization Study | 250,000 |
| - Reserve for SWRCB Loan Coverage | 282,234 |
| - Reserve for Upgrade Bond Debt Service | 557,752 |
| - Unobligated Fund Balance | <u>4,054,377</u> |

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| Total Reserves: | <u>\$7,139,363</u> |
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Gas Tax Fund

It is anticipated that the Gas Tax Fund will collect scheduled Gas Tax payments and applicable interest earnings totaling approximately \$360,000. Typically, funds available for appropriation in the Gas Tax Fund have been used to maintain the City's street and traffic lights and streets maintenance programs, with the residual funding being allocated to the City's Street Overlay Program.

Staff recommends appropriating Gas Tax funds to cover the costs of eligible street maintenance programs typically borne by the General Fund, including street sweeping and street maintenance. Staff also recommends continuing to fund the street and traffic light program and contributing \$50,000 in new funds towards the City's Street Overlay Program using Gas Tax funds. Finally, the FY 12-13 budget recommends maintaining a \$77,000 fund balance to assure funds are readily available for future program expenditures.

Transportation / Transit Funds

The City uses financing from a number of sources, including State and Federal programs and grants, to build and maintain the street transportation and storm drain network. The Transportation Fund receives revenue through the Transportation Development Act Tax (TDA) and various grant programs. The FY 12-13 budget recommends \$2.34 million in

capital improvement expenditures, including the Street Overlay Program (\$980,000), the Palm Avenue Sidewalk Project (\$1.3 million) and the Hoffman Avenue Storm Drain Project (\$30,000).

The funding received through the TDA is typically first used to balance Transit Fund needs, with the remainder being allocated to the Transportation Fund. It is anticipated that the Transit Fund will receive \$61,451 in State Transit Assistance (STA) funds and will require \$224,798 in TDA funding to offset anticipated funding necessary to carry out the City's Transit program during FY 12-13. Staff has also recommended the deletion of the part-time benefited Transit Driver position, and reallocating the part-time position to a vacant full-time position.

Redevelopment / Low/Moderate Set Aside Fund Property Tax Trust Funds

The State of California effectively dissolved all redevelopment effective on June 27, 2011. The City of Auburn, consistent with state law, assumed the winding down of all former redevelopment affairs by becoming the Successor Agency to the former Auburn Urban Development Authority. The Successor Agency is required to periodically make reports and present budgets to the Oversight Committee which, in turn, provides information to the State Department of Finance, State Controller's Office and Placer County Auditor Controller's Office.

The budgets for all former redevelopment activity are presented herein, and are provided solely as a means to disclose anticipated remaining obligations – in this case, the debt service on the redevelopment bonds and the administrative allocation. Any unobligated funds remaining may ultimately be transferred back to the County for distribution to taxing agencies consistent with redevelopment dissolution law.

Fire Department Equipment Fund

Funds available in the City's Fire Department Equipment Fund are available specifically for Fire Department supplies and capital outlay. Revenues received into this fund are generated from State reimbursements for Auburn Fire staff participation in statewide mutual aid activities. It is anticipated that the Fire Department will utilize \$15,000 in available funding towards equipment replacement program needs.

HOME First Time Homebuyer / Rehabilitation Grant Fund

The City was awarded an \$800,000 grant from the State Housing and Community Development Department in April 2011. These funds will be used within the City limits to assist first-time homebuyers and/or for housing rehabilitation loans consistent with established program parameters. It is anticipated that \$250,000 in loans will be awarded by the City in FY 12-13.

Community Development Block Grant (CDBG) Fund

CDBG business development funds in the amount of approximately \$358,000 are available to qualifying prospective and current businesses within the City limits. The City will work to make these funds available during FY 12-13.

Solid Waste Management Funds

The Solid Waste Management Funds are used to account for recycling programs funded by State grants and program expenditures related to the City's closed landfill located at the Auburn Municipal Airport. City Council action taken in February 2009, reallocated for a period of three years, 3.20% of the 4.71% franchise fee received by the Solid Waste Management Fund to the General Fund. This action will sunset at the beginning of FY 12-13. It is anticipated that the Solid Waste Management Fund will have approximately \$756,000 in fund balance at the end of FY 12-13.

Facilities and Equipment Plan (FEP) Fund

It is anticipated that funds available in the FEP fund during FY 12-13 will be used towards the purchase of a replacement HVAC unit for a City-owned building. Aside from this purchase, it is recommended that remaining FEP fund balance of approximately \$52,000 remain available for necessary capital outlay/replacement as the need arises during the fiscal year.

Auburn School Park Preserve Fund

At the present time, the Auburn School Park Preserve Fund has a negative fund balance of \$396,431. The negative fund balance amount results from all applicable park-related expenditures as offset by all revenues and grant funding received. Staff has reconciled all costs incurred during the Park Preserve development phase and is currently working with applicable parties to resolve and recover remaining amounts due.

Alternatives Available to Council; Implications of Alternatives

1. Accept the City Manager's Fiscal Year 2012-13 Proposed Budget recommendations, as submitted herein.
2. Modify specific appropriations pursuant to City Council discussion.

Fiscal Impact

The Fiscal Year 2012-13 Proposed Budget balances recommended expenditures with anticipated revenues and carryover/reserve monies available for all budgeted fund types.

NOTE: The Fiscal Year 2012-13 Proposed Budget, due to its size, is available at the following locations for review:

**City Hall – City of Auburn
1225 Lincoln Way, Auburn, CA 95603**

**City Clerk's Office (Room 8)
Administrative Services Department (Room 1)**

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RESOLUTION NO. 12-
RESOLUTION APPROVING 2012-13 FISCAL YEAR BUDGET

THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:

That the City Council of the City of Auburn does hereby authorize and adopt the 2012-13 Fiscal Year budgets for the City's General, Enterprise, Capital Projects, Debt Service, and Special Revenue Funds and does hereby authorize the funding and expenditures set forth therein. The revenue estimates and expenditure appropriations authorized for said funds are summarized in the Fiscal Year 2012-13 Proposed Budget. Copies of these budget documents are available for review at the Office of the City Clerk and in the Administrative Services Department.

DATED: June 11, 2012

Kevin Hanley, Mayor

ATTEST:

Joseph G. R. Labrie, City Clerk

I, Joseph G. R. Labrie, City Clerk of the City of Auburn, hereby certify that the foregoing resolution was duly passed at a regular meeting of the City Council of the City of Auburn held on the 11th day of June 2012 by the following vote on roll call:

Ayes:
Noes:
Absent:

Joseph G. R. Labrie, City Clerk

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RESOLUTION NO. 12-
RESOLUTION ESTABLISHING A GENERAL FUND CASH RESERVE IN THE
AMOUNT OF \$2,839,065 AS SUMMARIZED IN THE FISCAL YEAR 2012-13
PROPOSED BUDGET

THE CITY COUNCIL OF THE CITY OF AUBURN DOES HEREBY RESOLVE:
That the City Council of the City of Auburn does hereby establish a
General Fund cash reserve in the amount of \$2,839,065 as summarized in the
Fiscal Year 2012-13 Proposed Budget.
DATED: June 11, 2012

Kevin Hanley, Mayor

ATTEST:

Joseph G. R. Labrie, City Clerk

I, Joseph G. R. Labrie, City Clerk of the City of Auburn, hereby certify
that the foregoing resolution was duly passed at a regular meeting of the City
Council of the City of Auburn held on the 11th day of June 2012 by the
following vote on roll call:

Ayes:
Noes:
Absent:

Joseph G. R. Labrie, City Clerk

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